

Application No. 10/074,584
Amendment dated April 22, 2004
Reply to the Office Action of November 25, 2003

REMARKS

Applicant has amended claims 9, 14, 23, 27, 28, 33, 34, and 36 to correct typographical errors, claims 1, 7, 8, 11, 12, 15, 18, 19, 23, 25-30, and 33 to further clarify that the invention is implemented in a computer apparatus, and claims 1, 34, and 36 to further clarify unique aspects of the invention. Applicant has cancelled claims 24 and 37 in order to clarify the issues under consideration during this prosecution and expedite allowance of the pending claims. Applicant has also cancelled Claims 38-40 without prejudice in response to Examiner's restriction requirement. Claims 1-23 and 25-36 are now pending in this application.

In the Office Action dated November 25, 2003, the Examiner required restriction to one of the following inventions under 35 U.S.C. 121:

Invention I: Claims 1-37, drawn to a computer-implemented method, system, computer program code and computer data signal for managing risk associated with regulation; and

Invention II: Claims 38-40, drawn to a method of interacting with a network access device so as to manage risk relating to a risk subject.

Applicant hereby elects Group I (Claims 1-37, drawn to a computer-implemented method, system, computer program code and computer data signal for managing risk associated with regulation) without traverse. Applicant expressly reserves the right to the non-elected subject matter including the right to file one or more continuation and/or divisional applications to that subject matter, as now embraced in non-elected Claims 38-40.

In the Office Action dated November 25, 2003, the Examiner rejected claims 1-37 under 35 U.S.C. 103(a) as being unpatentable over Basch et al. (U.S. Patent No. 6,119,103) in view of Irving et al. (U.S. Patent No. 5,991,743).

The undersigned has reviewed the November 25, 2003, Office Action and respectfully traverses all rejections for the reasons set forth herein. No new matter has been added. The undersigned respectfully requests that all pending claims, as amended, be allowed.

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A. Overview

Before addressing the merits of the rejection, some brief comments reviewing the invention may be helpful. The following comments are provided exclusively to facilitate the Examiner's review of the invention.

As an initial matter, although the present invention is directed to managing several types of risk variables, in order to clarify the issues under consideration and expedite the allowance of the pending claims, the Applicant has amended the claims to limit the invention to those risks relevant to potential violations of laws, regulations and industry rules governing financial institutions. (Lawrence, paragraph 0035.) A financial institution is claimed as an institution engaged in activities as described in Section 4(k)(4) of the Bank Holding Act of 1956. (*Id.*) Risks relevant to potential violations of laws, regulations and industry rules governing financial institutions include factors that may cause a financial institution to be in violation of rules put forth by a regulatory agency such as the Securities and Exchange Commission (SEC). A financial institution can suffer from being associated with a situation that may be interpreted as contrary to an image of honesty and forthrightness. (*Id.*, paragraph 0008.)

The present invention uniquely teaches (1) aggregating data relevant to regulation of an entity engaged in an activity described in Section 4(k)(4) of the Bank Holding Act of 1956, according to risk variables relevant to potential violations of laws, regulations and industry rules governing, for example, financial institutions; and (2) associating portions of the aggregated data with a risk subject related to the entity (e.g., a financial institution) or the activity (e.g., a financial transaction). (*Id.*, claims 1, 34, and 36.) A risk variable can be any data that can cause a risk level to change. A financial institution has an obligation to relate such variables to suspicious activity and also to know their customers. For example, a financial institution may need information on an individual who is a party to a transaction, or a corporation or other institutional entity that is involved in a transaction. Other risk variables can include, for exemplary purposes, a sovereign state involved in a transaction, a geographic area, a shell bank, a correspondent account, a political figure, a person close to a political figure, a history of fraud, embargoes, and sanctions. (*Id.*, paragraph 0033.)

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Aggregated data can include: a financial institution that is not accustomed to foreign account activity; requests for secrecy or exceptions to Bank Secrecy Act requirements; routing of goods through a secrecy jurisdiction; missing wire transfer information; unusual and unexplained fund or transaction activity, such as fund flow through several jurisdictions or financial institutions, use of a government-owned bank, excessive funds or wire transfers, rapid increase or decrease of funds or asset value not attributable to the market value of investments, high value deposits or withdrawals, wires of the same amount of funds into and out of an account, and frequent zeroing of an account balance; large currency or bearer transactions; and structuring of transactions below reporting thresholds. Other data can include activities in which a person or entity is involved, associates of a financial transactor, governmental changes, and attempts to open more than one account in a short time period. (*Id.*, paragraph 0084.)

Another exemplary unique step is receiving an inquiry relating to a risk subject related to the, for example, financial institution or financial transaction. (*Id.*, claims 1, 34, and 36). A risk subject can include, for example, a financial transaction, a party involved in a financial transaction, and an alert list. (*Id.*, paragraphs 0014 and 0020.) Yet another exemplary unique step is transmitting the associated portions of the aggregated data to a designated computing device, such as, for example, a device operated by a subscriber that submitted the risk subject. (*Id.*, paragraph 0014.)

B. 35 U.S.C. 103(a)

The Examiner has rejected claims 1-37 under 35 U.S.C. 103(a) as being unpatentable over Basch et al. (U.S. Patent No. 6,119,103) in view of Irving et al. (U.S. Patent No. 5,991,743). For the reasons set forth below, Applicant respectfully traverses the rejection and requests allowance of the claims.

To establish a case of obviousness, the Examiner must meet three basic criteria. First, there must be some suggestion or motivation, either in the references themselves, or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine the references' teachings. Second, there must be a reasonable expectation of success.

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Finally, the prior art reference (or references when combined) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art and not based on the applicant's disclosure. MPEP 706.02(j), citing *In re Vaeck*, 947 F.2d 488, 20 U.S.P.Q.2d 1438 (Fed. Cir. 1991). Further a *prima facie* case of obviousness requires that all the claim limitations must be taught or suggested by the prior art. *In re Royka*, 490 F.2d 981, 180 U.S.P.Q. 580 (C.C.P.A. 1974). Thus, in order for the Examiner to establish a case of obviousness, he must (a) demonstrate that the prior art references describe or suggest all of the claimed limitations of the present invention, and (b) show a motivation to modify or combine the references. The Examiner has done neither.

Basch is specifically directed to, and the description focused on, a system and method for predicting and assessing only the financial risk that may be associated with a financial transaction of an already existing account holder, or with a first issued account. The Basch system and method require that at least one first credit account issues to an account holder by a credit account issuer. The risk is calculated by monitoring the transactions made by the account holder in one or multiple accounts held with one or multiple account issuers. A score is then formulated for an account, and when such account score goes below a predefined financial risk threshold, a warning may be transmitted to one or more account issuers. The warnings are issued to enable account issuers mitigation of further financial losses.

Review of the Basch patent shows that its system and method is intended to improve fraud or insolvency detection of account holders that may get around existing credit bureaus reporting, by maxing out all accounts prior to the billing cycle and then filing for bankruptcy or otherwise avoiding repayment. The Basch method attempts to overcome the flaws of present credit bureaus reporting systems by issuing warnings directly at the account issuer's level, but only if a certain minimum threshold is reached. The transaction scoring method described in the Basch patent is based primarily on scoreable transaction patterns, where the scoreable transactions relate to events associated at least with a first issued account, and relevant only to the assessment of financial risk.

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Basch, however, in no way teaches or suggests any methods or systems related to the identification and evaluation of risks associated with government regulation of financial transactions (and in particular, for example, those risk variables and related data discussed above). Basch is an expansion of credit scoring, and as such, only describes receiving data related to a specific account or account holder and transactions entered into by such an account holder. Basch does not describe or suggest any risk other than financial credit risk, and does not concern the regulatory risk variables and related data associated with government regulation of financial transactions. As such, Basch does not disclose the unique limitations of independent claims 1, 34, and 36 of the present invention.

Irving is concerned with only financial risk as well. Irving presents a method and system by which a financial institution can monitor its financial risk exposure regarding entities to which the institution has extended credit. (Col. 1, lines 42-50.) Irving is not concerned with regulatory risk relating to government regulation of financial transactions. Thus, like Basch, Irving does not describe or suggest the unique limitations of independent claims 1, 34, and 36 of the present invention.

In his rejections of claims 1, 34, and 36, the Examiner has attempted to argue that Bash and Irving, neither of which teach or suggest the limitations of the present invention, when combined, somehow teach the unique limitations of the present invention. Not surprisingly, the Examiner has repeatedly contradicted the controlling case law and MPEP rules in an effort to reach a conclusion of obviousness.

“There are three possible sources for a motivation to combine references: the nature of the problem to be solved, the teachings of the prior art, and the knowledge of persons of ordinary skill in the arts.” In re Rouffet, 149 F.3d 1350, 1357, 47 U.S.P.Q.2d 1453, 1457-58 (Fed. Cir. 1998). The Examiner has not shown any of these sources in the Office Action of November 25, 2003. Although, in his rejections of independent claims 1, 24, 34, 36, and 37, the Examiner stated that “it would have been obvious to one with ordinary skill in the art at the time of invention [to combine Basch and Irving],” he did so without offering any evidentiary support for his conclusion. (Office Action of November 25, 2003, p. 4.) Such conclusory statements do not

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constitute the requisite evidence upon which a Section 103 rejection may rest. In re Kotzab, 217 F.3d 1365, 1370 (Fed. Cir. 2000). Thus, the Examiner cannot base a rejection purely on what he deems would be obvious to “one with ordinary skill in the art”; rather he must offer evidentiary support for what in fact is known to skilled artisans before making a conclusion as to what would be obvious to a skilled artisan.

The Examiner again fell short of meeting the requirements of the case law by concluding: in his rejection of claims 1, 34, and 36, that “[c]ommunication network, executable software stored on the server and executable on demand and the computer data signal are inherent in the invention of Basch.” (Office Action of November 25, 2003, p. 3.) “[I]nherency . . . and [] obviousness are entirely different questions. That which may be inherent is not necessarily known. Obviousness cannot be predicated on what is unknown.” In re Spormann, 363 F.2d 444, 448 (C.C.P.A. 1966). Accordingly, the Examiner’s Section 103 rejection cannot stand based on his plain statements of what is inherent in Basch.

Thus, Applicant respectfully submits that it would not have been obvious to combine Basch with Irving, and that even if Basch and Irving were combined, their sum product would not contain the unique limitations of independent claims 1, 34, and 36.

Claims 2-23 and 25-33 depend from independent claim 1, and claim 35 depends from independent claim 34, and define further features and structure of the methods and systems. As such, these dependent claims are patentable for the reasons noted above with respect to claims 1 and 34, as well as for the additional features recited therein. Accordingly, notice to the effect that claims 1-23 and 25-36 are in condition for immediate allowance is respectfully requested.

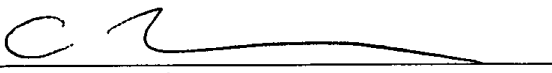
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CONCLUSION

For the reasons set forth above, allowance of this application is courteously urged. If there remains any question regarding the present application or any of the cited references, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact the undersigned at (212) 878-8341 in order for the undersigned to arrange for an interview with the Examiner.

Respectfully submitted,

Date: April 22, 2004


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